

REVENUE: No revenue impact

FISCAL: Minimal fiscal impact, no statement issued

Action: Do Pass
Vote: 9 - 0 - 1
Yeas: Fagan, Holvey, Kennemer, Matthews, Thatcher, Thompson, Weidner, Witt, Doherty
Nays: 0
Exc.: Barton
Prepared By: Jan Nordlund, Administrator
Meeting Dates: 2/20, 3/4

WHAT THE MEASURE DOES: Permits the Director of Department of Consumer and Business Services to share information related to acquisitions of insurers under certain circumstances. Requires advance notice to Director before acquisition is completed. Requires Director to determine effect of acquisition on competition in Oregon. Permits Director to issue cease and desist order or deny application if acquisition will substantially diminish competition. Requires person intending to divest control in insurer to notify Director. Requires insurance holding company to file annual enterprise risk report. Establishes membership requirements for insurer's board of directors and committees of board. Requires board of directors to establish committee comprised of people who are not officers or employee and are not beneficial owners of a controlling interest of insurer to oversee audit matters, board nominations, and officer compensation and evaluation. Specifies penalties for violation of provisions of Act. Becomes operative January 2, 2014. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- National Association of Insurance Commissioners model laws
- 2008 financial crisis
- Industry benefit of uniform laws in all 50 states

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Insurance Division of the Department of Consumer and Business Services is accredited with the National Association of Insurance Commissioners (NAIC), as are its counterparts in all states. The provisions of House Bill 2241 represent nationally developed standards that the Division states must be adopted in order to assist the Division in maintaining its accreditation.

The national financial crisis in 2008 was the impetus for state insurance regulators to begin a process of reviewing processes and laws in search of making improvements to prevent another situation similar to the federal bailout of AIG. In the case of AIG, the insurance company was sound, but its affiliated companies nearly caused the entire financial system to collapse. House Bill 2241 increases the Insurance Division's oversight of insurers' corporate governance, and gives the Director greater authority over acquisitions of insurers. The measure encourages greater cooperation and communication between states and with the National Association of Insurance Commissioners.